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SUBJECT: SCENESETTER FOR CODEL PRICE'S VISIT

Post-Election Standoff

¶1. (SBU) Your visit to Tbilisi comes during the most politically significant period in Georgia since the 2003 Rose Revolution brought Mikheil Saakashvili to power. The January 5 presidential election was judged by the U.S. Embassy, the OSCE and the Council of Europe to be the most competitive in Georgia's history and in essence consistent with most international standards for democratic elections. None of these observers found the election to be problem-free, however, and Saakashvili's inauguration took place against the protest of a vocal and increasingly assertive opposition that accuses him of stealing the election. An important message to the opposition will be the need to focus on the future and gaining seats in the upcoming parliamentary elections in May.

¶2. (SBU) Behind-the-scenes negotiations are taking place regarding these parliamentary elections, which were called six months early as a concession to the opposition and in line with a plebiscite held during the January 5 election. Parliamentary Speaker Nino Burjanadze and the United National Council of Opposition (UNC) are leading the talks. Although not officially members of the UNC, the New Rightists and Labor parties are coordinating with the UNC regarding the negotiations. Meanwhile, the opposition factions in Parliament continue to boycott all proceedings except the ongoing negotiations (and any unforeseen national security crises.) This has not impeded Saakashvili's ruling National Movement (UNM) party, which holds a constitutional (super) majority in Parliament. On January 31, Saakashvili's new cabinet of ministers was approved by a vote of 141 to none (out of 235 total MPs), with no opposition MPs participating. Most other issues in Parliament, including some reforms, are largely at a standstill due to the coming election. We would encourage you in your dinner with ruling party members to urge the current Parliament to clear the decks and pass reforms before the elections, such as a revision of the Election Code and the U.S.-backed Criminal Procedure Code.

¶3. (SBU) On January 28, UNC leaders called a meeting with the international diplomatic corps to present 17 demands, which they presented to the Georgian government on January 29. The UNC was joined in their statement by the New Rightists/Industrialists and Labor party. The statement calls for further investigation into alleged violations during the January 5 presidential elections, the release of political prisoners, electoral code reform, and greater transparency and balance in the media. It also calls for the resignation of Minister of Internal Affairs Vano Merabishvili and the restructuring of the MOIA and Prosecutor General's office. During the meeting, the UNC stressed that the

statement constitutes a basis for discussion with the government and is not an ultimatum. They are committed to a peaceful and constitutional resolution of the crisis, they said, and would resort to further protests only if dialogue fails. They also said they welcomed guidance and input from the international community as the talks proceed. The Republican Party's David Usupashvili said he hoped a political agreement could be reached on all issues by February 15, but acknowledged that practical, fundamental changes, such as electoral code reform, would require more time. Our position has been to support these negotiations in order for both sides to come to a compromise.

¶4. (SBU) To some extent, the uncovering of some problems in the January 5 election was due to the higher level of transparency in the election process that Saakashvili has introduced, such as the display of precinct protocols on the Central Election Commission (CEC) website. Despite some hope that the negotiations will allow Saakashvili to hold office without further controversy, and permit the opposition to focus on parliamentary elections, such a resolution of the current political situation is not yet assured. The UNC continues to threaten additional public protests (beginning February 15), while the organization itself faces internal pressure between its more radical and mainstream members. Nevertheless, the opposition's ability to campaign, to gain a significant share of the vote in the election, and to express its concerns peacefully afterward shows Georgia's progress toward Western-style democracy. This progress, however imperfect, far outstrips that in other countries of the former Soviet Union outside the Baltics.

Changes Coming to Parliament

¶5. (SBU) The current size of Parliament, 235 members, will be
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reduced in the coming Spring election to 150 total seats. The UNM hopes that by reducing the number of seats in Parliament, the body will become more efficient and productive. Of these 150 seats, 100 will be chosen by a nation-wide party list system. Each party will submit a rank-ordered list of candidates, and each voter will select one party on their ballot. For each party that reaches the 5 percent threshold, they will receive the number of seats that corresponds to the percentage of votes they win. Those parties who do not reach the 5 percent threshold will receive no seats, and the remaining seats will be distributed among those parties that met the threshold. In 2007 the UNM met a key opposition demand by reinstating the 5 percent threshold (from 7 percent.)

¶6. (SBU) The other 50 seats will be chosen through the so-called "majoritarian" system. This will be similar to a regional party list system. However, there is no residency requirement for candidates and the regions/seats are not distributed equally per capita. Currently, the system is designed so that a voter chooses one candidate, and that candidate's party - with the accompanying one to four names - gets his vote. Even though there will be multiple seats in the region, it is impossible to vote for more than one candidate or to split your vote across parties. This majoritarian system also represents a key opposition complaint for more fairness and accountability in electing MPs. The details of re-working this system are still under negotiation.

¶7. (SBU) Regardless, the composition of Parliament will change after the election. Though the UNM likely will do everything they can to maintain a large (constitutional if possible) majority, it is unclear if they will be able to do so. Saakashvili's narrow first-round win in the presidential election suggests there is considerably more support for his opponents than when the current Parliament was elected in ¶2004. Whether the reduction in seats will lead to more UNM

Parliamentarians being squeezed off the party list, and therefore running on a separate ticket, also remains to be seen.

Georgia's Strategic Importance

¶8. (SBU) When Saakashvili and his ruling National Movement party (UNM) took office in 2004, Georgia was nearly a failed state, but it is much changed now. Georgia is a strategically significant country to the United States because of its government's commitment to democracy, independence from Russia, free market economic reform, control of corruption, NATO and EU membership, and support for the War on Terrorism. Notably, Georgia has the third largest contingent of troops (2,000) serving in Iraq with coalition forces. Georgia's success or failure sends a distinct message to other countries of the former Soviet Union, and in the Middle East as well, about the wisdom of a Western-oriented, democratic, free market orientation. Additionally, Georgia sits astride the main alternative corridor for trade in oil, gas, and other goods to Europe from Central Asia and farther East. Without Georgia's cooperation, no strategy for bringing additional Azeri, Kazakh or Turkmen oil and gas to the world market without passing through Russia can succeed. These facts begin to explain as well why Russia is openly hostile to Saakashvili's vision of an independent Georgia.

¶9. (SBU) Since Saakashvili took office, Georgia has substantially reduced the corruption that was bleeding its treasury dry under his predecessor. Saakashvili famously fired the entire Georgian traffic police force in 2004, but he has also made arrests for corruption among all levels of government common news as well. As a result, government revenues are up, electricity flows 24 hours per day, and government investment in repairing and replacing infrastructure that had badly deteriorated since the fall of the Soviet Union has increased. With few natural resources to rely on other than manganese and agricultural products, Saakashvili and his economic team have begun to fashion a Georgia that seeks to attract investment by cutting taxes, eliminating tariffs and reducing red tape and corruption. Their express models are Singapore and Hong Kong. Saakashvili intends to continue reforms in his second term, and work is especially needed to create a truly independent judiciary. We would encourage you to commend his reform and encourage Saakashvili's and the ruling party's intention to introduce new reforms that would strengthen the Parliament and improve the independence of the judiciary.

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Economy and Public Discontent Both Grow

¶10. (SBU) Recent political problems have some economic roots. Inflation has made many staple food and consumer items more expensive for all Georgians. Only a wealthy few are able to take advantage of the new, glittery housing developments across Tbilisi, despite the fact the economy grew 9.4 percent in 2006 and 12 percent in 2007. Growth will likely slow in 2008 as political turmoil has caused investors to hesitate. The emphasis in government spending has already begun to shift from infrastructure and defense to education and public health, as Saakashvili moves to enact his campaign slogan of "Georgia without Poverty."

¶11. (SBU) In contrast, the opposition primarily blame current discontent with Saakashvili and his ruling party on injustice, rather than economic reasons. Property owners were disturbed in 2007 by the government's willingness to evict long-term tenants from state-owned buildings, challenge corruptly procured ownership rights in privatized property, and even to destroy some buildings in Tbilisi that were allegedly built illegally. Saakashvili's own unshakable

belief in the rightness of his cause contributed to a widespread perception of aloofness and unwillingness to listen to outside voices, which hurt him in the polls. Since the election Saakashvili has made extra effort to reach out to various alienated sectors of society. For example, Saakashvili went to the Ombudsman's office to meet him and publicly announced a renewed effort to protect Georgians' human and civil rights.

¶12. (SBU) We estimate U.S. investment in Georgia at about USD 770 million since 2000. The United States and Georgia signed a Trade and Investment Framework Agreement in June 2007. U.S. assistance to Georgia in 2008 will be more than 100 million dollars, directed to strengthening democracy, rule of law, free markets, and energy security, among other objectives. Georgian officials would welcome a free trade agreement with the United States, which would attract investment and support jobs, stability, and growth in this friendly and strategic country.

The HDAC Relationship

¶13. (SBU) As we enter the legislative elections and meet the subsequent Parliament, there will be an opportunity to strengthen the contribution of Parliament and to work with a possibly more diverse and representative body of MPs. The HDAC can play an influential role with the new Parliament to help it get off on the right foot and guide first-time MPs on multiple fronts, including bi-partisan parliamentary procedure. In addition, ongoing HDAC staff training and exchange opportunities continue to provide high value peer-to-peer support to career staff within the Parliament.

Conflict Regions

¶14. (SBU) Georgia's long-simmering problems with its separatist regions of South Ossetia and Abkhazia could erupt in controversy in February when Kosovo will likely declare independence. Russia has threatened to recognize the independence of Abkhazia and South Ossetia if the U.S. and Europeans recognize Kosovo. Such a move, if taken by Russia, which has long supported the separatist regimes, will be destabilizing to the government of Georgia. We believe the government is sufficiently committed to its NATO membership drive that it would not jeopardize that goal by taking military action. It will, however, have to resist internal pressure to do so.

¶15. (SBU) Whatever happens, solving the Abkhazia and South Ossetia disputes will take time. Regaining the separatist regions lost in the early 1990's during intense internal conflicts is considered a national priority by a great majority of Georgians. The political leadership's focus on this goal reflects that fact. Moreover, official U.S. policy supports Georgia's sovereignty and independence within its internationally recognized borders, which includes Abkhazia and South Ossetia. We reject any parallels with Kosovo, as well.

Themes for Your Meetings

¶16. (SBU) The parliamentary elections will significantly impact Georgia's political culture for the foreseeable

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future. You will first meet with opposition leaders over coffee. Afterward, you will meet ruling party MPs for dinner. You will see that the political polarization has increased substantially since your last visit. Both sides need to be encouraged to continue negotiating in good faith toward a much better election this Spring. In Georgia, compromise is often seen as weakness, and both sides are under pressure to win a perceived zero-sum game. You will

want to urge the Parliamentarians to take immediate action to prevent the recurrence of the election irregularities that were noted by international observers and dulled Saakashvili's victory. The election code will need to be simplified and set well in advance of the election. Workers at the Central, District, and Precinct level need to be better trained. Precinct Election Commission chairmen need to be better trained and empowered to follow the electoral code to prevent intimidation and vote count fraud. The process of counting ballots needs to be more organized and transparent. U.S. assistance is working with the Georgian authorities and NGOs to address all these issues. It would be useful if you could demonstrate how both parties, despite party differences and whether or not they are the majority, routinely work together in Congress.

Members of the Opposition, with Bios

¶17. (SBU) The following opposition members have been invited to meet with you over coffee:

- MP Levan Gachechiladze. Mr. Gachechiladze ran for President in the January 5 election. He officially received 25.69 percent of the vote, although he believes the real number was 30 percent or more. A businessman and former Saakashvili campaign manager, he leads the UNC and may run again for Parliament. It is still unclear if he is a strong enough leader to keep the disparate members (from far left to right) of the UNC united.

- MP David Gamkrelidze. Mr. Gamkrelidze is Chairman of the New Rightists (NR) party, which is not an official member of the UNC. He also ran for President and won 4.05 percent of the popular vote. A doctor by profession, Gamkrelidze is a long-time fixture of Georgian politics. He recently has joined in UNC protests and criticized the U.S., both somewhat uncharacteristic for him. Gamkrelidze believes that the UNM has forced out the moderate opposition, leaving him and his party in a quandary. He does not want to become more radicalized, and he continues to denounce violence or overthrow as a means for change.

- MP Kakha Kukava. Mr. Kukava, of the right-wing Conservative party, has been the UNC's public firebrand recently. He has taken the lead, quite vocally, in presenting the UNC's criticisms and demands of the government to the public. Reportedly, he is still in lockstep with the UNC leaders.

- David Usupashvili. Mr. Usupashvili, Chairman of the centrist Republican party, is also a long-time presence in Georgia's opposition. One of the most moderate, forward-thinking opposition leaders, Usupashvili has been leading negotiations with Parliamentary Speaker Burjanadze.

- Salome Zourabichvili. Ms. Zourabichvili is a dual citizen of France and Georgia. She came to Georgia following the 2003 Rose Revolution and served for a time as Saakashvili's Foreign Minister. After being let go, she formed her own political party in opposition, Georgia's Way, which is a member of the UNC. Publicly very critical of the government and Saakashvili, she maintains a cadre of connections and supporters in France.

- MP Zurab Tkemeladze. Mr. Tkemeladze is with the Industrialists party and is a businessman by profession. His is usually a moderate voice, and his party runs lockstep with the New Rightists in Parliament. However, he too has denounced the government as "illegitimate" and recently publicly quarreled with Saakashvili's key advisor on economic reforms.

UNM Parliamentarians, with Bios

¶18. (SBU) The list of ruling party MPs that will meet you over dinner has not yet been confirmed by the Speaker's

office. A list with biographical information will be provided to you on arrival. However, the guest list could include:

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- Speaker Nino Burjanadze. Burjanadze was the Acting President during the presidential election campaign. She leads her own faction within the UNM, but has consistently towed the UNM line in public. Good at speaking to Western audiences, Burjanadze is the one UNM representative with whom the UNC will negotiate at this time. However, Burjanadze may be in the U.S. during your visit.

- Deputy Speaker Mikheil Machavariani. Machavariani will likely host the dinner if Burjanadze is not present. Similarly, he will fill in for her during any negotiations with the opposition. Machavariani works closely both with Burjanadze and the UNM power brokers, including Giga Bokeria.

- MP Giga Bokeria. Bokeria is one of the most influential members of Saakashvili's inner circle. Little legislation passes in Parliament that he does not approve. Due to his blunt style, Bokeria's influence is perhaps greater than his popularity.

TEFFT